

Message Text

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PASS AGRICULTURE

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TAGS: EAGR,EEC,ETRD

SUBJECT: EC NFDM PURCHASE SCHEME

REF: EC BRUSSELS 03276

1. SUMMARY: RECENTLY ISSUED COMMISSION REGULATIONS SET THE PRICE OF NFDM SOLD UNDER THE COMPULSORY PURCHASE SCHEME AT 52.16 U.A./100 KG AND ESTABLISH A SYSTEM OF COEFFICIENTS TO BE USED IN CONVERGING NFDM PRICES AND THE DEPOSITS REQUIRED ON PROTEIN PRODUCTS FROM UNITS OF ACCOUNT TO NATIONAL CURRENCIES. THE PURPOSE OF THESE COEFFICIENTS IS TO AVOID LARGE DISPARITIES BETWEEN MEMBER STATE NFDM PRICES; THEY ALSO LOWER THESE PRICES AND THE DEPOSITS SOMEWHAT IN REAL (OR DOLLAR)TERMS. THE REGULATIONS ALSO SPECIFY THE MANNER IN WHICH THE NFDM IS TO BE DENATURED AND OTHER CONDITIONS GOVERNING THE ISSUANCE OF PURCHASE DOCUMENTS. END SUMMARY.

2. THE COMMISSION HAS ISSUED SEVERAL ADDITIONAL REGULATIONS IMPLEMENTING THE EC COMPULSORY PURCHASE SCHEME FOR NFDM. THE MOST IMPORTANT OF THESE COMMISSION REGULATION NO. 753/76, EFFECTIVE APRIL 1, 1976, WHICH LAYS DOWN DETAILED RULES FOR THE SALE OF NFDM UNDER THE UNCLASSIFIED

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COMPULSORY PURCHASE SCHEME. THIS REGULATION SETS THE PRICE OF

NFDM SOLD UNDER THE SCHEME AT 52.16 U.A./100 KG. NOTE THAT THIS AMOUNT IS EQUAL TO THE CURRENT INTERVENTION PRICE FOR NFDM (90.16 U.A./100 KGS.) MINUS THE NEW SUBSIDY OF 38 U.A./100 KGS. FOR THE USE OF NFDM FOR FEED, WHICH WAS FIXED BY COMMISSION REGULATION NO. 748/76, EFFECTIVE APRIL 1, 1976.

3. COEFFICIENTS WILL BE APPLIED TO THE SELLING PRICE OF THE VARIOUS MEMBER STATES AS FOLLOWS:

SELLING MEMBER STATE COEFFICIENT

DENMARK	0.9000
BELGIUM	0.8874
GERMANY	0.8325
UNITED KINGDOM	1.0256
FRANCE	0.9368
ITALY	1.0487
IRELAND	0.9909
LUXEMBOURG	0.8874
NETHERLANDS	0.8874

COMMISSION REGULATION NO. 746/76 PROVIDES THAT THESE COEFFICIENTS SHALL ALSO APPLY TO THE SECURITIES (DEPOSITS) REQUIRED ON PROTEIN PRODUCTS. THIS REGULATION WENT INTO EFFECT APRIL 1, 1976 BUT MAY, UPON REQUEST, BE APPLIED AS FROM MARCH 19, THE FOLLOWING EXAMPLES SHOW HOW THE COEFFICIENTS ARE APPLIED: CALCULATION OF NFDM SALE PRICE (PER 100 KGS.) AND IMPORT DEPOSITS ON SOYBEAN MEAL (PER MT.):

AMOUNT IN U.A.	COEFFICIENT	GREEN RATE	NATIONAL CURRENCY	AMOUNT IN DOLLS 1/
GERMANY				

	TIMES	DIVIDED BY		
PRICE	52.16	/	.8325	/ .287287 151.15 DM (59.45)
DEPOSIT	27	"	"	78.24 DM (30.77)

U.K.

	TIMES	DIVIDED BY		
PRICE	52.16	/	1.0256	/ 1.7556 30.47 POUNDS (56.86)
DEPOSIT	27	"	"	15.77 POUNDS (29.49)

/ BASED ON APRIL 8 SPOT RATES.

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4. THESE COEFFICIENTS SUBSTANTIALLY REDUCE THE DIVERGENCE IN THE "REAL" (OR DOLLAR) PRICE OF NFDM SOLD UNDER THE COMPULSORY PURCHASE SCHEME IN THE VARIOUS MEMBER STATES AS NOTED IN THE REFTL. IF GREEN RATES ALONE WERE USED TO EFFECT THE CONVERSION FROM THE COMMON EC PRICE TO NATIONAL PRICES, DISPARITIES OF UP TO ABOUT DOLS 15 PER 100 KGS. WOULD HAVE BEEN POSSIBLE USING THE COEFFICIENTS, THE SALE PRICES IN THE VARIOUS MEMBER STATES ALL FALL WITHIN THE DOLS 56.96 - 59.45/100 KGS. RANGE SHOWN ABOVE (AT

CURRENT EXCHANGE RATES).

THESE DIFFERENCES ARE NOT FELT TO BE LARGE ENOUGH TO DISTORT
TRADE.

5. THE COEFFICIENTS ALSO HAVE THE EFFECT TO LOWERING BOTH THE
AVERAGE EC PRICE OF NFDN SOLD UNDER THE COMPULSORY PURCHASE SCHEME
(AND THUS INCREASING THE SUBSIDY IMPLICIT IN THESE SALES)
AND THE AMOUNT OF THE DEPOSIT ON PROTEIN PRODUCTS.
THEY DO NOT SIMPLY COVERGE NATIONAL SALES PRICES AND DESPOSIT
TOWARDS THE MIDPOINT;THE ARTIHMETIC AVERAGE OF NATIONAL PRICES
RESULTING FROM THE USE OF THE COEFFICIENTS IS LESS THAN 93
PERCENT OF THE AVERAGE THAT WOULD RESULT FROM THE USE OF GREEN
RATES ALONE.

6. COMMISSON REGULATION NO. 753/76 ALSO SPECIFIES THE CONDITIONS
GOVERNING THE SALE OF NFDN UNDER THE PURCHASE SCHEME. PURCHASERS
MUST UNDERTAKE EITHER TO DENATURE THE NFDN (ACCORDING TO ONE OF
THE SIX FORMULAS SPECIFIED IN THE ANNEX OF THE REGULATION),
OR TO INCORPORATE IT DIRECTLY INTO A COMPOUND FEED WHICH MEETS
CERTAIN REQUIREMENTS LAID DOWN IN THE REGULATION. THE ANNEX TO THE
REGULATION SPECIFIES SIX FORMULAE WHICH GIVE MINIMUM QUANTITIES
OF CERTAIN CONSTITUENTS WHICH MUST BE PRESENT IN THE COMPOUND
FEED IF THE LATTER OPTION IS TO BE ACCEPTABLE; IN ADDITON,
WHERE THE DIRECT INCORPORATION OPTION IS FOLLOWED,THE FEED MUST
CONTAIN BETWEEN 2-10 PERCENT NFDN HOWEVER, MEMBER STATES MAY
PROHIBIT THIS OPTION.

7. THE PURCHASER IS REQUIRED TO PROVIDE A DENATURING SECURITY OF
40 U.A./100 KG. IN ADDITION TO THE SALE PRICE OF THE NFDN.
THE COEFFICIENTS LISTED IN PARA 3 ARE ALSO APPLIED IN CALCULATING
THIS SECURITY,WHICH IS REFUNDED WHEN THE PURCHASER GIVES TO THE
INTERVENTION AGENCY A DOCUMENT STATING THAT DENATURING HAS BEEN

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EFFECTED. THE REGULATION LAYS DOWN A NUMBER OF PROVISIONS FOR
THE CONTROL AND SUPERVISION OF DENATURING BY THE "COMPETENT
AUTHORITIES" OF THE MEMBER STATES. AT THE SAME TIME AS DENATURING
IS CERTIFIED,THE PURCHASE DOCUMENT (OR " ATTESTATON OF PURCHASE
AND DENATURING ") WILL BE ISSUED (ALSO BY THE " COMPETENT AUTHO-
RITY"). REGULATION NO. 753/76 CONTAINS A SAMPLE OF THIS
DOCUMENT IN ITS ANNEX. AS REPORTED IN THE REFTEL,THE IMPORT DEPOSIT
ON PROTEIN PRODUCTS IS TO BE REFUNDED UPON PRESENTATION
OF THIS DOCUMENTS THE PURCHASE DOCUMENTS ARE TRANSFERABLE AND VALID
THROUGHOUT THE COMMUNITY.

8. THE MINIMUM QUANTITY OF NFDN OFFERED FOR SALE UNDER THE
COMPULSORY SCHEME IS 10 METRIC TONS. THE PURCHASER MUST TAKE
THE NFDN WITHIN ONE MONTH OF THE CONCLUSION OF THE SELLING CON-
TRACT. DENATURING MUST TAKE PLACE QITHIN TWO MONTHS AFTER DELIVERY

HAS TAKEN PLACE.MEMBER STATES ARE TO PROVIDE THE COMMISSIO WITH A WEEKLY REPORT ON SALES,RELEASE OF STOCKS,AND ISSUANCE OF PURCHASE DOCUMENTS UNDER THE COMPULSORY PURCHASE SCHEME THE REGULATION ALSO PROVIDES THAT NO MONETARY COMPENSATORY AMOUNTS WILL BE APPLIED ON NFDM DENATURE IN ACCORDANCE WITH THIS REGULATION(BECAUSE THE COEFFICIENTS HAVE ALREADY EFFECTED THE NECESSARY ADJUSTMENTS IN NATIONAL PRICES).

9. REGULATION NO. 753/76 ALSO PROVIDES FOR THE TRANSFER OF NFDM STOCKS FROM ONE MEMBER STATE TO ANOTHER AND ALSO,IN SOME CASES,FOR THE DIRECT PURCHASE OF NFDM BY AN INDIVIDUAL BUYER FROM ANOTHER MEMBER STATE. IN THE LATTER CASE,THE COST OF TRANSPORT IS TO BE BORNE BY THE INTERVENTION AGENCY RATHER THAN THE BUYER. COMMISSION REGULATIONNO. 789/76,EFFECTIVE APRIL 7, PROVIDES FOR SUCH SALES TO INDIVIDUAL PURCHASERS IN ITALY (WITH PAYMENTS FOR TRANSPORT COSTS RANGING FROM 25 - 35U.A./M.T.OF NFDM) PENDING THE TRANSFER OF STOCKS TO ITALIAN INTERVENTION AGENCIES FROM THE OTHER MEMBER STATES.

10. COMMENT: THE SYSTEM OF COEFFICIENTS DOES NOT CHANGE THE RELATIONSHIP BETWEEN THE COST OF NFDM AND THE DEPOSIT CHARGED ON IMPORTS OF PROTEIN PRODUCTS. THUS,IT SHOULD NOT AFFECT THE FEED MANUFACTURERS DECISION AS TO WHETHER TO PURCHASE NFDM OR FORFEIT THE DEPOSIT.THE MAIN THRUST OF THE SYSTEM IS TO AVOID SPECULATIVE CROSS-BORDER TRADE IN NFDM WHICH WOULD RESULT FROM SIZABLE DISPARITIES IN ITS SALE PRICE IN THE DIFFERENCE MEMBER STATES.
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SECONDARILY,THE SYSTEM HAS BEEN CHANGED IN SUCH A WAY AS TO LESSEN SOMEWHAT THE COST BURDEN TO THE FEED MANUFACTURERS OF UTILIZING NFDM PURCHASED UNDER THE EC SCHEME.
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